

18 MAY 1995



Contracting

**CONTRACT MANAGEMENT-CONCEPT OF
OPERATIONS**

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Pages: 8
Distribution: F,X

This instruction implements AFPD 64-1, *The Contracting System*. It establishes the concept of operations for contract management within AFMC, describes the Defense Contract Management Command (DCMC) organization and approach to implement contract administration services (CAS), and outlines the strengths and weaknesses of different contract management organization structures. Use AF Form 847, *Recommendation for Change of Publication*, to forward any comments to HQ AFMC/PKM, 4375 Chidlaw Road, Suite 6, Wright-Patterson AFB OH 45433-5006. Any organization may supplement this volume at the contracting directorate level. Send an information copy of any supplement to HQ AFMC/PKM.

Chapter 1

CONCEPT OF OPERATIONS

1.1. Contract Management. Contract management encompasses all relationships between the Government and the contractor that grow out of contract performance. It includes all matters between the parties from contract award through contract completion and acceptance, final payment, disputes resolution, and contract close-out. Contract management and contract administration are often used synonymously; however, contract management is a much broader concept of which contract administration is an important subset. Figure 1.1 provides a listing of major contract management topics and their associated FAR reference.

1.2. Contract Management Responsibility:

1.2.1. The AFMC contracting office may not delegate their contract management *responsibility*. The contracting office retains its overall responsibility to provide full contracting support to the requiring activity. Except for operational contracting offices (see para 1.3), the contracting office should, whenever possible, delegate contract administration *authority* to the cognizant contract administration office (CAO). The CAO will then act as an "agent" of the buying activity and will serve as an extension of the Program Manager/Item Manager/Contracting Officer (PM/IM/CO) team. This is perhaps the most important distinction between contract management and contract administration. The maintenance of open communications will facilitate achievement of the complimentary efforts of this team to foster good contract management. Accordingly, for delegated contract administration functions, the AFMC contracting office must maintain visibility of CAO performance for those delegated functions for such purposes as informing the requiring activity of status of the acquisition; integration of contract administration information with other information available from the requiring activity; identifying potential contract performance problems that may affect cost, schedule, or performance; and for ensuring CAO efforts meet mission requirements and reasonable expectations.

1.2.2. Visibility of CAO support need not call for duplicative tracking systems or intrusive surveillance of CAO activities. With proper planning and coordination with the CAO, an acceptable degree of confidence may be developed through analysis of reports and data inquiries, open communications with the supporting CAO, Process Oriented Contract Administration Service (PROCAS) team meeting, following up on a sample of delegated functions, and normal discussions with the contractor.

1.2.3. If CAO performance of a delegated function is considered inadequate, first report those concerns to the CAO. If corrective action is not forthcoming, elevate the concern within the AFMC contracting office and the resident DCMC liaison (if assigned) and the corresponding level of management in the CAO.

1.3. Contract Administration Services. DCMC provides CAS, when delegated, for those delegable functions described at FAR 42.302(a) and (b) (as supplemented). Additional functions may be delegated as described at FAR 42.202(c). An important consideration during the delegation process is tailoring the CAS requirement and only requesting those services required to assure acceptable contractor performance. This will help the CAO maximize the efficient and effective utilization of their resources while providing acceptable support to AFMC contracting offices. It is the preferred practice for AFMC contracting offices to delegate contract administration to the maximum extent unless the conditions described

at FAR 42.203(a) or (b) exist. This includes operational contracting offices when complex contracts require specialized oversight beyond the capability of the buying office. In addition to implementing the direction at DFARS 242.303(a)(i), delegation will facilitate our contracting mission by utilizing resources and unique capabilities of other agencies; develop teamwork between the AFMC contracting office and the supporting CAO; and avoid duplication of effort in the Government's dealings with our contractors. FAR 42.202(d) describes the delegation process. It will frequently be advantageous to establish an interface with the CAO early in the process to explain the requirements, followed up by a written letter of delegation, if necessary, outlining expectations. Additionally, during the acquisition planning phase, the contracting officer should consider opportunities to include the CAO in the acquisition planning, solicitation review, site visit, pre-proposal conference, and other activities. This will provide another view of potential problems and their resolution. For classified contracts requiring CAS oversight, contact HQ AFMC/PKM for assistance.

Table 1.1. Partial Contract Management References

FAR	Short Title
4.4	Safeguarding Classified Info in Industry
4.7	Contractor Records Retention
9.2	Qualified Products
9.3	First Article Testing and Approval
9.4	Debarment, Suspension, and Ineligibility
12	Contract Delivery or Performance
22.101-3	Reporting Labor Disputes
23	Environment, Conservation, Safety
30.6	CAS Administration
33.2	Disputes and Appeals
37	Service Contracting
42	Contract Administration
43	Contract Modifications
44	Subcontract Policies and Procedures
45	Government Property
46	Quality Assurance
47	Transportation
48	Value Engineering
49	Termination of Contracts
50	Extraordinary Contractual Actions
51	Use of Gov't Sources by Contractors
App A	ASBCA
App C	Contractor Purchasing Systems Reviews

Chapter 2

DEFENSE CONTRACT MANAGEMENT COMMAND

2.1. Organization. Defense Contract Management Command.

2.1.1. Background. A charter Task Force consisting of representatives from the Office of the Secretary of Defense, the Military Services, the Defense Contract Audit Agency, the National Aeronautics and Space Administration, and the Defense Logistics Agency jointly developed a plan that would most efficiently consolidate CAS within DOD. A plan to consolidate all CAS under the Defense Logistics Agency was approved in late 1989 and implemented with DCMC assuming the consolidation mission. An organization chart is provided at figure 2.1.

2.1.2. Headquarters, DCMC is located at Cameron Station, VA (moving to Ft. Belvoir, VA) and oversees the activities of four Defense Contract Management Districts (DCMDs) (West, South, Northeast, and International). Within these districts are approximately 45 Defense Contract Management Area Operations (DCMAOs), and 75 Defense Plant Representative Offices (DPRO). The DOD Directory of Contract Administration Services Components (DLAH 4105.4) identifies cognizant contract administration offices, their mailing addresses, and telephone numbers.

2.1.3. The primary interface between the contracting offices and DCMC is with their DCMAOs and DPROs. The sub-organizations within DCMAOs and DPROs are: Operations; Technical Assessment; and Management Support.

2.1.3.1. The Operations Group provides integrated PROCAS oriented teams geared to deliver products and services to satisfy customer needs based on programs, geography, or buying commands. The team size and skill mix depend on the specific program requirements. The Technical Assessment Group will augment the Operations Group with experts possessing unique skills and capabilities.

2.1.3.2. The Technical Assessment Group is composed of process oriented teams focused on core processes such as quality assurance, engineering, and contract management assessment. Personnel from the Technical Assessment Group support the Operations Group teams. Additionally, it provides assessments of the achievement of performance objectives and both internal and external customer satisfaction measures on all contract management operations.

2.1.3.3. The Management Support office provides internal administrative support and manages the DCMAO's or DPRO's programs for training, information services, and installation services.

2.2. Implementation:

2.2.1. Resident CAS. DCMC developed PROCAS which provides a systematic approach to implement the contract administration mission. This system is primarily followed by DPROs; although, DCMAOs may provide similar services to contractors that are providing essential supplies or services to the government.

2.2.1.1. The purpose of PROCAS is to accomplish the DCMC contract administration mission in a more consistent, efficient, and effective manner. The degree of PROCAS implementation at specific contractor facilities is determined by the CAO in coordination with customers (e.g., AFMC contracting offices) and DCAA. PROCAS is intended to encourage increased communication

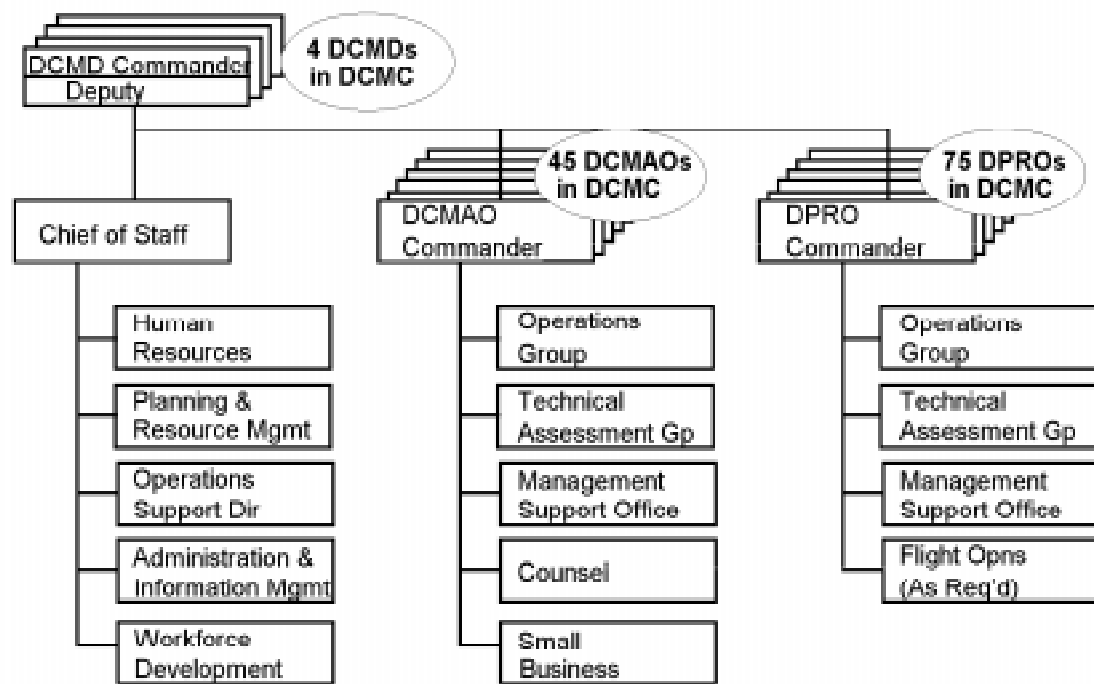
among DCMC, customers, industry, and DCAA through the application of established guidelines and the direct measurement of contractor processes. It uses shared data and mutually agreed upon measurement criteria to tailor the framework in which contractor performance and continuous process improvements are measured. PROCAS provides visibility of objective data in order to make informed decisions regarding improvement opportunities and risk assessment. Crossing functional, business, and technical boundaries, PROCAS provides a seamless approach to contract administration.

2.2.1.2. **Teaming Agreement.** The DCMC process for implementing PROCAS starts with senior contractor personnel being briefed on PROCAS by the CAO commander. The purpose of the briefing will be to acquaint the contractor with PROCAS, explain the benefits of the continuous improvement philosophy, and invite active contractor participation. Cooperation and teamwork among CAO personnel, AFMC, the contractor, DCAA personnel, and other interested Government activities (e.g., EPA, DOL) usually creates an environment agreeable to continuous process improvements. Teaming offers expanded opportunities to protect the Government's interest. Teamwork can improve communication and reduce misunderstanding. Formal or informal teaming agreements may be entered into with the contractor, customers, DCAA, and other prospective team members. The team identifies various processes suitable for improvement and jointly develops improvement action plans, risk assessment, measurement criteria, and initiates the continuous improvement effort.

2.2.2. **Non-resident CAS.** The DCMAOs provide CAS based on a geographic area of responsibility for those contractors that do not have a DPRO. DCMAOs have the capability to provide PROCAS type surveillance; however, a significant volume of the CAS provided follows a more traditional approach. The DCMAO's efforts are generally task oriented, such as performing pre-award surveys, reviewing purchasing systems, and government acceptance of FOB Origin shipments. Their focus is largely delivery and follow-up. This type of surveillance is typically adequate for contractors who account for lower dollar value purchases, commercial items, or non-essential supplies.

2.3. Capability. The administrative contracting officer (ACO) has the role of ensuring delegated responsibilities are performed. Although the ACO is the focal point or *Team Chief*, support is provided by specialists in meeting those responsibilities. Industrial specialists and engineers, production specialists, quality assurance specialists, and price analysts, among others may participate on this team. Team composition depends on the complexity and technical requirements of the contract, and duties assigned by the buying office. The capabilities of other supporting agencies (DCAA, DOL, EPA, etc.) are available to the ACO through the *teaming agreements* established during the implementation of PROCAS. The types and availability of resources available to the ACO, coupled with a greater familiarity with specific contractor operations and personnel, give the ACO a unique capability to perform contract administration.

Figure 2.1. DCMC Organization Chart.



Source DCMC, 8 Nov 94

Chapter 3

ORGANIZING FOR CONTRACT MANAGEMENT

3.1. Organization Styles. The product and logistic centers typically demonstrate some variation of three basic organizational structures to provide contract management: centralized; decentralized; or matrixed. The operational contracting offices demonstrate a fourth style and are organized to provide cradle-to-grave contract management, to include contract administration. Contract management is the responsibility of individuals throughout the contracting office and an understanding of the type of organizational style present in your contracting office, and more importantly, the strengths and weaknesses associated with each style can help everyone to take advantage of the strengths and initiate actions to mitigate any weaknesses.

3.2. Centralized Contract Management. Typically a 3-letter organization within a contracting directorate with its own chief and support staff and with contract administrators performing contract management and other administration functions within proximity of each other, although they may be performing those services in support of different program offices. The primary strength of this style is the synergistic potential between contract managers within a centralized organization promoting the sharing of ideas and techniques from a pool of trained and experienced contract managers drawing on corporate knowledge, and augmented by a central contract management reference library. There should be an enhanced capability to respond to workload surges; maintain consistency in policy, operation, and training; and ensuring autonomy and freedom from undue influence. Potential weaknesses can result because of isolation from program needs and priorities; and reduced communication between post award contract managers and buyers/contracting officers.

3.3. Decentralized Contract Management. Contract management is performed by contract specialists who may also perform duties other than typical contract management tasks and who are directly responsible to the program office where they work. There may be a supporting centralized staff office for policy only. The primary strength of this organization is the support for the program or product team concept; enhanced communication through proximity of contract managers with the buyers/contracting officers; and earlier contract manager involvement in the acquisition planning cycle. Potential weaknesses may result from contract manager fragmentation with a loss of input from counterparts in other programs; loss of the "big picture" regarding contract management workload and uneven workload distribution; the loss of a centralized reference library and proliferation of less than adequate libraries in various program offices; and performance of buyer duties by the contract manager may take priority over contract management duties.

3.4. Matrixed Contract Management. A 3-letter organization within a contracting directorate with its own chief and support staff, but with most contract administrators performing contract management and other administration functions within the physical confines of the program or product offices. Matrixed organizations can provide: increased synergism if several contract managers are collocated; a ready pool of trained and experienced contract managers; increased autonomy; greater contracting management visibility of contract management workload; a "home office" to act as champion for complex and complicated contract management issues; increased awareness of program or product management issues and priorities through collocation with other program or product officer personnel; a program or product

office team orientation for contract managers; and earlier involvement in the acquisition planning process. Potential problems may arise from: isolation of contract managers from their counterparts in other program or product offices; contracting supervisors may be tempted to give contract managers other workloads in response to changing priorities and pressures; and contract managers may be subject to undue program management influence.

3.5. Operational Cradle-to-Grave Contract Management. A common thread that runs through AFMC operational contracting offices is the joining of the buying function and the contract management function within each branch. Typically, the majority of contract administration is performed by personnel within an operational contracting office rather than delegated to DCMC. This cradle-to-grave approach places the entire process, from acquisition planning through contract close-out under the responsibility of the branch chief. This arrangement provides a strong capability to build customer satisfaction by providing a single face to the various customers throughout the base and develops a consistency of approach to assist the customers in preparing their requirements packages and monitoring status of the acquisition and final delivery for the contracted product or service. There is a danger the supervisor may assign some of their contract administrators to buying duties in response to growing workloads. As a surge capability, this could be a strength; but, if used too extensively, it could impact the contract administration function.

3.6. Summary. Contract management is the buying office's nondelegable responsibility. Authority to provide contract administration services is delegated as much as possible to the cognizant DCMC CAO. The CAO acts as our "agent" and fulfills an important role on the PM/IM/CO team. A clear understanding of the CAO's responsibilities and early inclusion of the CAO in the acquisition process will play a critical part in providing a seamless approach to our acquisitions and will support our Integrated Weapon System Management philosophy.

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